Economic highlights from the week ending on April 2, 2021

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U.S. nonfarm payrolls were much stronger than expected in March, up 916,000, versus the Bloomberg consensus forecast of 660,000. February payrolls were also revised higher reflecting a 468,000 gain. As the economy starts to reopen, payrolls in the leisure and hospitality sector showed the strongest gains adding another 280,000 jobs. As expected, the unemployment rate declined to 6.0% in March from 6.2% in February. The participation rate increased in March to 61.5% from 61.4% last month but remains below pre-pandemic levels. Although the employment picture continues to improve, payrolls are approximately 8.4 million below the 152.5 million level prior to the pandemic. The U-6 underemployment rate, which includes those who are marginally attached to the labor force and employed part-time for economic reasons, declined to 10.7% in March from 11.1% in February. Another strong economic indicator released this weak was the Institute of Supply Management's (ISM) monthly manufacturing survey. March ISM increased to a 64.7% reading, the highest level since December of 1983. In addition, manufacturing employment increased by 53,000 jobs last month, the biggest increase of manufacturing employment since last September.

President Biden unveiled his $2.3 trillion infrastructure spending plan this week which has been named the American Jobs Plan. The plan includes $621 billion for transportation infrastructure (e.g., roads, bridges, rail service, electric vehicle development, airports, etc.), $400 billion for elderly and disabled care, and $300 billion for manufacturing. The plan also includes about $311 billion for water, broadband, and electric infrastructure, and about $340 billion for retrofitting housing, commercial building, schools, and federal buildings. There would be an additional $180 billion toward R&D and $100 billion for workforce development. The President's spending plan is paired with a proposal to revise aspects of the corporate tax code (dubbed the 'Made in America Tax Plan'), including an increase in the corporate tax rate to 28% from 21% (still lower than the previous 35% rate in 2016) and an increase in the global minimum tax for US multinationals to discourage offshoring. We believe President Biden's proposal sets the initial framework for a spending and tax plan that will be negotiated in Congress over the next few months. We expect some version of an infrastructure spending bill to come to fruition this year, although we believe it may be downsized depending on the pace of economic growth. Nevertheless, any infrastructure spending would likely be spread over the next eight years which we believe could create a steady tailwind for the economic recovery.

Next Week

Factory Orders, ISM Services, FOMC Minutes, PPI

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